

INDEPENDENT AUDITOR'S REPORT

September 17, 2004

Members of the Town Council
Town of Bar Harbor
Bar Harbor, ME 04609

We have audited the accompanying general-purpose financial statements of the Town of Bar Harbor, Maine, as of and for the fiscal year-ended June 30, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town of Bar Harbor, Maine, management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted by the United States of America, and standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1C to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Management has also not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require that the general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable. Accounting principles also require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Town's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Bar Harbor, Maine, as of June 30, 2004, or the changes in its financial position or its cash flows, where applicable, for the fiscal year then ended.

In accordance with “Government Auditing Standards”, we have also issued a report dated September 17, 2004, on our consideration of the Town of Bar Harbor, Maine’s internal control structure and on its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of the Town of Bar Harbor taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Town of Bar Harbor. All such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Respectfully Submitted,

James W. Wadman, CPA

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